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**** See corrections at end ****

To: Interested Parties

From: Ann Marie Anderson, CPA
Single Audit Section

Re: 2012 update to the *DHS Audit Guide*

All audits involving DHS funding are to be performed in accordance the *DHS Audit Guide*, and the 2012 update to this guide is available at www.ssag.state.wi.us.

Many of the sections of the *DHS Audit Guide* reference the *Main Document to the State Single Audit Guidelines, 2012 Revision*. The Department of Administration has updated the *Main Document* to remove state cognizant agency responsibilities and references to extensions of audit due dates, which are no longer allowed under the federal single audit requirements.

The significant changes in the 2012 revision to the *DHS Audit Guide* are:

- Section 1.2.1 – Under certain circumstances, agency-wide and program audit reports now need to include a new supplemental schedule, “Settlement of DHS Cost Reimbursement Award” (see discussion of Section 2.3.4, below). We also simplified the guidance for the minimum threshold for testing of compliance and internal controls
- Section 1.2.2 – We removed declared state major program status from several programs, making them declared Type A programs, and we added thresholds to most of these programs for triggering the Type A status. The declared Type A programs are:

Section 3.1	Community Options Program (COP)
Section 3.2	Community Integration Program I (CIP I) and Brain Injury Waiver
Section 3.3	Aging and Disability Resource Centers
Section 3.4	Case Management Agency Providers
Section 3.5	Community Integration Program II/Community Options Program Waiver (CIP II/COP-W)
Section 3.6	Wisconsin Medicaid Cost Reporting
Section 3.9	Community Recovery Services
Section 3.15	School Based Services Benefit
Section 3.16	Comprehensive Community Services
Section 3.18	Children’s Long Term Care cluster

And the declared state major programs are:

Section 3.7	Medicaid Personal Care Program
Section 3.11	Income Maintenance Consortia

See below for notes for changes for program sections.

- Illustration 1.4 – We added a new report element, the “Settlement of DHS Cost Reimbursement Award” which is described in more detail below. In addition, for report elements for which the AICPA has model language, we also remind auditors to use the AICPA models that are applicable to the period being audited and the date of the auditor’s opinion. These models change with the effective dates for the Clarity Project standards and the 2011 update to *Government Auditing Standards*. It is very important to ensure auditors use the right models when preparing their sections of audit reports, because the model indicates the standards used. **DHS cannot accept audit reports as meeting applicable standards if the reports have report elements that are not appropriate for the period covered by the audit or the date the audit was issued.**
- Section 2.3.4 and Illustration 2.3.4 – This new section requires that the audit report include a “Settlement of DHS Cost Reimbursement Award” when an auditee:
 - Is a nonprofit, a for-profit, or local unit of government *other than* a county, tribe, Chapter 51 board, or school district,
 - Received funding directly from the Department of Health Services,
 - Was paid based on or limited to an actual allowable cost basis, and
 - Reported expenses or other activity resulting in payment totaling \$100,000 for its grant(s) or contract(s) with DHS
- Section 2.3.6 and Illustration 2.3.6 – The “Allowable Profit Supplemental Schedule” has new requirements for tying the schedule to the “Settlement of DHS Cost Reimbursement Award,” Section 2.3.4, when the audit report needs to include the Settlement (previous item).
- Section 3.1 – Community Options Program – Previously, the department required major program testing whenever an agency received COP funding directly from the department, without taking a threshold or a risk assessment into consideration. In the 2012 update, we adopted a threshold at \$300,000 and a risk-based approach for determining when to test the program. **[Threshold is actually \$100,000 – see below]**
- Section 3.2 – Community Integration Program I & Brain Injury Waiver – We treat CIP I and BIW as one program for audit purposes. Previously, the department required major program testing whenever an agency received CIP I and BIW funding directly from the department, without taking a threshold or a risk assessment into consideration. In the 2012 update, we adopted a threshold at \$300,000 and a risk-based approach for determining when to test the program.
- Section 3.3 – Aging and Disability Resource Centers – Previously, the department required major program testing whenever an agency received ADRC funding, without regard for a threshold or a risk assessment. In the 2012 update, we adopted a threshold at \$300,000 and a risk-based approach for determining when to test the program.
- Section 3.5 – Community Integration Program II/Community Options Program Waiver – CIP II and COP-W are treated like one program for audit purposes. Previously, the department required a risk assessment for determining whether to perform major program testing for CIP II and COP-W, and there was no threshold for triggering this risk assessment. In the 2012 update, we adopted a threshold at \$300,000 in addition to the risk based approach that is already in place. **[Threshold is actually \$100,000 see below]**

- Section 3.11 – Income Maintenance Consortia – Following implementation of IM Consortia during 2012, we replaced the previous guidance on auditing IM Administration funding at counties with guidance on auditing the consortia lead county agencies. IM Consortia is a declared state major program for 2012, and the program is also very likely to need federal major program testing for the Medicaid and SNAP funding that supports the program.
- Section 3.14 – Aging Programs – Previously, the department had brief sets of guidance for auditing various aging programs that was a subset of what would be required for major program testing. We removed this guidance in the 2012 update. When performing risk assessment or major program testing for federally funded aging programs, auditors should use the federal audit guidance as supplemented with [DHS Audit Guide](#), Section 2. For state funded programs, auditors should use the guidance in [DHS Audit Guide](#), Section 3.12.
- Section 3.17 – Family Care - Care Management Organizations – Previously, this section repeated information in Section 1.2.3. In the 2012 update, we simply pointed to Section 2.1.3 and deleted the content of Section 3.17.
- Section 3.18 – Children’s Long Term Support – Previously, the department required major program testing for CLTS whenever an agency receives CLTS funding from the department, without regard for a threshold or a risk assessment. In the 2012 update, we adopted a threshold at \$300,000 and risk-based approach for determining when to test the program. [Threshold is actually \$100,000 – see below]

Please send questions to DHSAuditors@Wisconsin.gov.

1/14/13

Corrections – In the memo, you can see \$300,000 thresholds for Section 1 COP, Section 5 CIP II/COP-W, and Section 3.18 CLTS. In each case the referenced program sections actually have a \$100,000 threshold. The program sections take precedence, because those are the documents that the program managers reviewed and approved. We apologize for the confusion. Please do let us know if you have questions.

Ann Marie